

MAGNETIC SEAL, LLC.

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TERMS AND CONDITIONS OF PURCHASE ORDER

MAGNETIC SEAL, LLC. MISSION

To find better ways to generate sustained success for our customers, team members, and suppliers by continually advancing our engineering, quality, and manufacturing expertise in providing proven sealing solutions.

MAGNETIC SEAL, LLC. VISION

To be recognized globally as the trusted supplier of innovative sealing solutions for maximizing critical system reliability.

SCOPE

This manual contains the contractual Quality Assurance Requirements that appear on all Magnetic Seal, LLC. (MSC) Purchase Orders and is applicable to all suppliers that contribute goods or services to MSC.

The order of precedence for documents applicable to MSC Purchase Orders (POs) is the following:

- (a) Purchase Orders
- (b) Engineering Drawings
- (c) MSC Documents and Specifications
- (d) Industry Specifications (if applicable)

DEFINITIONS & TERMS

For the purpose of this document, which specifies the contractual quality clauses applicable to MSC Purchase Orders, the following definitions and terms shall take on the assigned meanings:

Buyer – the MSC affiliate identified on the Purchase Order as the Buyer. The Buyer procures goods and services for MSC and manages Supplier accounts. All Supplier communication must be directed through Magnetic Seal, LLC.’s Buyer

Supplier – the party identified on the Purchase Order as the Supplier. The Supplier provides goods and services that contribute to MSC.

Nonconformance – the failure to meet the requirements of all applicable documents, including but not limited to: the purchase order, part drawing, quality assurance plans, specifications, etc.

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SUPPLIER POLICIES & INFORMATION

MSC's supply base will consist of organizations supportive of our business needs. In line with MSC's business and culture, all levels of personnel contributing to applicable purchases orders shall behave ethically and be aware of their impact on the conformity of products and services, product safety, and industry standards.

Criteria for evaluation and selection of suppliers for placement on MSC's Approved Supplier List (ASL) is based on the Supplier's ability to consistently deliver conforming products and/or services, meet MSC's delivery requirements, offer competitive pricing, and be responsive to MSC's needs.

All Suppliers contributing to MSC are evaluated on an annual basis. Supplier performance is measured on a variety of metrics, including but not limited to the Supplier's ability to uphold the delivery dates defined on applicable order confirmations and the Supplier's ability to meet or exceed applicable product specifications as defined by engineering drawings.

In the event that the Supplier does not meet each performance criteria explicated in this document, the Supplier will be required to submit a Corrective Action Report for improvement. Failure to comply with the clauses contained in this document may result in the return of product shipments at the Supplier's expense and/or the withholding of payments to the Supplier.

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GENERAL TERMS & CONDITIONS:

Clauses 1 through 9 apply to all MSC Purchase Orders

1. Maintenance of Data:

All records of material, inspection, and testing must be kept on file by the Supplier for review by MSC or Customer personnel, in accordance with the NDA on file.

2. Control of Nonconforming Material:

The Supplier shall maintain control of all nonconforming material found at the facility. In the event of the discovery of nonconforming material, the product shall be identified and quarantined. Additionally, a statement of Cause/Corrective Action (CA) shall be issued, which must include the date of effective implementation. The Supplier must provide a Corrective Action Response (CAR) within 30 calendar days. If MSC does not receive a CAR within the 30 day period, the Supplier will be sent a reminder call, email, or letter. If a CAR is not received within 60 calendar days of original receipt of CA statement, MSC reserves the right to terminate for cause any open purchase order with the Supplier. In the event of unexpected circumstances that require additional time to resolve, the Supplier should contact and make advanced arrangements with MSC's Quality Department.

3. Changes:

Changes that depart from the original intent of the PO may not be made without written consent from MSC'S Supply Chain. Supplier design changes must be approved in writing by MSC prior to implementation.

4. Preservation & Packaging:

Supplier shall maintain a system ensuring adequate controls. FOD (Foreign Object Damage) must be observed before and after packaging.

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5. Government Access & Procurement Regulations:

FAR’s and other applicable required documents shall be listed on the face of the Purchase Order.

6. Raw Material Certification:

Two (2) copies of Certification of Material must be supplied that include chemical and/or physical property ranges, identification of applicable industry and/or customer specifications, heat lot numbers, applicable purchase order numbers, and any other pertinent information per requirements of the applicable purchase order. Certifications of Material must be signed by the Supplier’s Designated Quality Representative.

7. Counterfeit Parts:

- (a) All Suppliers must adhere to AS6174 Rev. A “Counterfeit Materiel; Assuring Acquisition of Authentic and Conforming Materiel”. Suppliers of raw materials and/or components shall ensure that only new and authentic raw materials and/or components are used to fulfill MSC Purchase Orders. Distributors of raw materials and/or components may only purchase for resale directly from the Original Manufacturer (OEM). Distribution of material that was not procured from OEMs is unauthorized unless prior written approval is obtain from MSC. To obtain the aforementioned MSC prior written approval, the supplier’s request must present compelling support for all actions taken to ensure the materials and/or components procured from non-OM sources are authentic and conform to all requirements, specifications, and applicable traceability referenced on the Purchase Order.
- (b) The Supplier’s Quality Management System (QMS) shall be consistent with all applicable industry standards including AS553, “The Detection and Avoidance of Counterfeit Parts and Suspect Counterfeit Parts”, as a minimum requirement. Additional minimum QMS requirements include: policies and procedures for training personnel; designing and maintaining systems to mitigate risks associated with part obsolescence; systems for controlling the sourcing of part markings; prioritization of mission critical and sensitive components; ensuring traceability materials, components, and parts; development of approved and non-approved supplier and sub-tier supplier lists; inspection and testing of parts; reporting and quarantining of counterfeit parts and suspect counterfeit parts; and adherence to Corrective Action and Corrective Action Report requirements.
- (c) Should the Supplier become aware of any confirmed or suspect Counterfeit Part that has by any means been acquired for and/or delivered to the Buyer, the Supplier shall notify the Buyer in writing within five (5) days of discovery. The Supplier shall verify the Buyer’s receipt of this escape notification. The Supplier shall be liable for the cost of replacement, rework, corrective action, and/or any additional fee pertaining to the discovery and/or escape of confirmed or suspect Counterfeit Parts.

8. Return of Rejected Material:

Nonconformance of returned parts must be identified. Returned Material must be “tagged” with applicable nonconformance, which therein shall be reference on Rejected Material Reports and Purchase Orders. The Supplier shall contact MSC’s Quality Assurance Manager or Supplier Quality Engineer for resolution.

9. Foreign Object Debris (FOD):

The Supplier shall maintain adequate preservation and packaging controls to prevent the introduction of FOD (Foreign Object Debris) before and after packaging of final product. The Supplier shall have a FOD prevention and training program, and take any additional steps necessary to prevent FOD and/or other contaminants from being introduced during processing and/or packaging.

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AEROSPACE CONDITIONS:

Clauses 10 through 29 apply to AS9100 Purchase Orders

10. Quality Management Systems:

The Supplier and any applicable sub-tier suppliers should maintain a documented Quality Management System manual and make it available to MSC upon request. This documented Quality Management System must explicate the Supplier's management strategies regarding the awareness, training, and competencies of the Quality System for all employees, to the extent required by position and/or title.

11. AS 9100 Rev. D & Right of Access:

MSC, its Customers, and Regulatory Authorities have Right of Access to all facilities, records, and requirements applicable to MSC Purchase Orders, including but not limited to flow down requirements to sub-tier suppliers and material key characteristics. MSC reserves the right of inspection and audit of the Supplier's premises.

12. Organizational & Process Change:

Prior to any significant changes in the Supplier's organizational structure or internal processes, MSC must be notified of and approve the applicable changes. All changes must be submitted in writing or electronically with signature to the Buyer. Such changes may include the occurrence of any of the following:

- Quality Management System status change (such as QMS certification or withdrawal)
- Changes in Processes
- Changes in Materials
- Changes in Management
- Changes in MSC Supplier Contact
- Changes in Location
- Changes in Equipment
- Changes in Sub-Tier Suppliers

13. Certification of Calibration:

Product manufactured by the Supplier must be traceable to the unique equipment used for production and for verification of the product's conformity to the Buyer's requirements. The applicable equipment must be identifiable and calibrated to masters or standards accompanied by certification traceable to the National Institute of Standards and Technology (NIST).

14. Shelf Life Items:

Any materials, parts, or components subject to deterioration from environmental exposure or over time shall be identified by the applicable date of manufacture, processing, testing, or critical functionality. Unless otherwise specified, a minimum of 75% of any material's, part's, or component's Shelf Life shall remain upon the Buyer's receipt of the applicable product. If Supplier product shelf life exceeds below MSC's minimum acceptance requirements, the applicable product may be subject to prorated pricing, rejection, or return. Shelf Life Items must be accompanied by aforementioned date of manufacture / processing / testing / critical functionality, duration of shelf life, applicable storage temperate, and any other significant environmental and/or storage conditions that may affect the product's shelf life (i.e. light, moisture, vibration, etc.)

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15. Sampling Plan Requirements:

The following Sampling Plan Requirement(s) apply to the deliverable lot quantity when referenced on the face of the respective MSC Purchase Order:

- (a) In accordance with ASQ H1331 also known as ISBN 978-0-87389-739-6
- (b) 100% Inspection
- (c) Sampling Plan agreed upon by Quality Assurance Manager at MSC and Supplier
- (d) Supplier approved Sampling Plan

16. Scrap Allowance:

MSC expects impeccable quality and 100% conformance of all Purchase Order quantities. Any exceptions must be communicated in writing and agreed upon by both MSC and the Supplier.

17. Country of Origin:

Supplier materials must be melted in the United States of America (USA) or in a qualified country as identified in the Defense Federal Acquisition Regulation Supplement 225.872-1, pursuant to DFARS 252.225-0741 Alt. 1. DFARS compliant Certification of Country of Origin and melt location must accompany melted ingot.

18. Special Provisions, Instructions, and Requirements:

When listed on the face of the Purchase Order, Certification of Compliance to Special Provisions, Instructions, and Requirements shall accompany any and all shipments of product applicable to Purchase Order.

19. Certification of Compliance (C of C):

With each shipment, Supplier must provide Certification of Compliance (C of C) that assures full conformity to all requirements listed on or applicable to the Purchase Order, including engineering drawings, MSC customer and PO specific requirements, all requirements flow down from end-user (when applicable), and industry standards and specifications.

20. Quality & Delivery:

Unless otherwise agreed upon in writing by MSC, material and/or process certificates are required to accompany shipments. The Supplier will be notified on the purchase order of these requirements. By providing shipment of product to MSC, the Supplier confirms acknowledgement of and compliance with this document as well as all Purchase Order requirements, engineering drawing requirements, and additional MSC, end-user, regulatory, and industry standard requirements. The Supplier shall strictly adhere to the shipment, delivery, and completion schedules specified in the purchase order. In the event of anticipated or actual delay, the Supplier shall promptly notify MSC in writing with an explanation for the delay as well as the actions being taken to rectify impact on product delivery to MSC. The Supplier shall provide MSC with a recovery schedule. If the Supplier fails to meet shipping instruction requirements, any transportation costs, shipping or handling fees, or additional costs incurred exceeding the original costs and fees agreed upon by the Buyer and the Supplier will be deducted from the Purchase Order price of product.”

21. Supplier Evaluation:

The Supplier’s qualification for MSC’s ASL is evaluated annually and is contingent upon product quality, on-time-delivery, supplier quality management system requirements, and the Supplier’s ability to adhere to applicable industry standards and additional flow down quality requirements specified on individual purchase orders and in this document. Selection preference shall be given to suppliers with quality management systems certified by accredited third-party organizations. MSC expects the Supplier to achieve 100% On-Time Delivery (OTD) and Quality conformance. All suppliers found to have OTD or Quality performance below 90% during MSC’s yearly 12-month calendar review of suppliers risk the opportunity for future development work with MSC. Future development work can be reestablished once an agreed upon improvement plan has been put into place.

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22. Special Processes:

All Suppliers are required to provide Certification of Conformance for any special processing traceable to product, components or raw materials. Certifications must state Conformance to the applicable specifications and must accompany each shipment / lot of material shipped to MSC. Special Process Suppliers are required to be NADCAP accredited, at minimum, unless previously agreed upon in writing by MSC and the Supplier.

23. Vision Test Records:

Suppliers must keep records, current within the last 12 months, documenting passing color-vision tests and Snellen 20/25 (or better and in at least one eye) for employees with inspection responsibilities.

24. Mercury Free Material:

Material furnished under the Purchase Order must not contain mercury in any amount or form and must be certified as “Free of Mercury”. Due to the potentiality of contamination, all mercury bearing instruments and equipment are prohibited from use in the manufacture, assembly, testing, or inspection of product, components, or materials shipped to MSC or applicable to MSC purchase orders. These requirements must be flow down to sub-tier suppliers by the Supplier.

25. Conflict-Free Mineral Requirement:

All products, components, and materials must comply with Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”) regarding the sourcing of tantalum, tin, tungsten and gold from certain mines within the Democratic Republic of Congo (DRC) or adjoining countries as defines in the Act. All necessary steps must be taken to implement conflict-free sourcing wherever and whenever possible.

26. ITAR & EAR:

All drawings and/or any additional accompanying documents and communications may contain information subject to the International Traffic in Arms (ITAR) and/or the Export Administration Regulation (EAR). The transfer of technical data by any means to a foreign person or entity, whether domestic or abroad, without first complying to the export and license requirements of ITAR and/or EAR is against the law and is in violation of the terms of any and all MSC Purchase Orders. By accepting any Purchase Order, the Supplier certifies that their organization has not and/or will not violate any ITAR or EAR laws during fulfillment of applicable, past, or future Purchases Orders with MSC.

27. Record Retention:

The Supplier shall retain records pertaining to the special processing of products, components and materials for a minimum of 30 years or for duration established by and flow down from MSC’s end customer. These records shall include but are not limited to any testing, inspection, and/or data collection which pertains to applicable processes. Changes to these requirements may be addressed on the Purchase Order or in writing agreed upon by the Supplier and MSC’s Buyer. The Supplier must notify MSC prior to the destruction of any records applicable herein.

28. Latest Revisions of Standards & Specifications:

Unless otherwise specified on Purchase Order, the Supplier shall furnish and certify conformity of products, components, materials, and processes to the latest revisions of applicable standards and specifications. This clause applies to government, industrial, commercial, and customer specifications and requirements flow down on MSC Purchase Order. The Supplier shall contact MSC to verify the latest revisions of customer specifications, as required.

29. Flow Down:

The Supplier must flow down applicable MSC Purchase Order requirements to their sub-tier suppliers.

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SPECIAL PROCESSING:

Clauses 30 through 34 apply to Purchase Orders with Special Processing

30. Physical & Chemical Test Reports:

Physical and chemical characteristic testing of product, components and materials must be conducted by an approved testing laboratory, and must be completed per the guidelines stated on the applicable Purchase Order. The Supplier agrees to conduct First Article Inspections (FAI) per AS9102, when applicable and/or required. The Supplier must perform FAIs when there are any changes to the product or processes used in the manufacture, processing, testing, or inspection of the product that may affect the fit, form, or function of the product. The aforementioned changes apply to sub-tier suppliers as well as the Supplier. In the event that a First Article Inspection is required per AS9100, the Supplier must include a First Article Inspection Report with shipment. The aforementioned First Article Inspection Report must be accompanied by the applicable product part, tagged for verification.

31. Fixed Process / Frozen Process / Engineering Source Approval (ESA):

MSC's approval of the Supplier's manufacturing process is required per part engineering drawing. The processes used for manufacturing the applicable part(s) shall be approved prior to the receipt of shipment by MSC of the First Article of any given production part number. The Supplier will submit a digital first piece to MSC for approval prior to the first production run. The Supplier shall clearly tag and submit the first piece, mid piece, and last piece of the applicable production run with shipment of product, accompanied by an inspection report for MSC review. The Supplier shall not deviate from the processes agreed upon with MSC, unless written approval from MSC has been obtained by the Supplier.

32. Test & Inspection Reports:

Test and Inspection Reports must show evidence of tests performed with data clearly recorded, characteristics of inspection whether dimensional or visual, and any nonconformance(s) discovered. In the event any nonconformance is discovered, the supplier must submit a report of the corrective action(s) taken to contain the nonconforming material and to prevent any future occurrence of the nonconformance(s). Reports must accompany each lot of material shipped.

33. Nondestructive Testing (NDT):

100% of any Nondestructive Testing conducted is required to be reported and submitted to MSC. Results must be identifiable with MSC Purchase Order number and must accompany material shipped. Specific clauses referenced on the Purchase Order apply.

34. Heat Treating:

When Heat Treatment and/or Stress Relief processes are applicable to products shipped to MSC, documentation of furnace charts (time & temperature charts) must accompany the respective products. The chart(s) must be kept on file by the Supplier and maintained per the quality retention record requirements aforementioned in this document, and are subject to MSC's Quality Assurance review and approval.

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CUSTOMER RELATED FLOW DOWN REQUIREMENTS:

Clauses 35 through 39 apply to POs with Customer Specific Flow Down Requirements

35. UTC Requirements

Any supplier working on UTC member “End Use” parts must be AS9100 compliant and apply/conform to AS13000 Problem Solving Requirements for Suppliers. All ASQR-01 requirements (Supplier Quality Requirements) and AQSR-15.1 requirements (FOD, Handling, Storage, Packaging, Preservation and Delivery) apply. Any Purchase Order identifying the part as having PPAP requirements must follow ASQR-09.2. The following documents also apply:

- (a) UTAS ASQR-20.1 (Supplier Sampling Requirements), HSM 236 (FAIRs), and HSM 19 (Buy Requirements).
- (b) Pratt & Whitney US PW-QA 6101 (Supplier Quality Assurance for APU)
- (c) Pratt & Whitney Canada SQOP-01-01 applies (General Requirements)

36. GE Aviation Requirements:

When materials, processes, and/or services are supplied for GE AVIATION End Use, documents S-400 (CMTL) and/or S-1000 (Quality System Requirements for Suppliers) apply. GE AVIATION flow down requirements and specific clauses referenced on the Purchase Order also apply.

37. Kaman Requirements:

When materials, processes, and/or services are supplied for KAMAN End Use, documents QRP 0541.07 (Quality Requirement Manual) and SQRM-1 (Supplier Quality Requirements Manual) apply. KAMAN flow down requirements and specific clauses referenced on the Purchase Order also apply.

38. Rolls-Royce Requirements:

When materials, processes, and/or services are supplied for ROLLS-ROYCE End Use, the document SABR (Supplier Management System Requirements) applies. ROLLS-ROYCE flow down requirements and specific clauses referenced on the Purchase Order also apply.

39. Safran Requirements:

When materials, processes, and/or services are supplied for SAFRAN End Use, the document GRP-0087 applies. SAFRAN flow down requirements and specific clauses referenced on the Purchase Order also apply.

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